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Message Text

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15
ORIGIN IO-14

INFO OCT-01 AGR-20 RSC-01 AID-20 EB-11 AF-10 COME-00 ISO-00

TRSE-00 SWF-02 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04

USIA-15 PRS-01 SPC-03 FEA-02 SS-20 NSC-07 /141 R

DRAFTED BY EB:ORF:OFP:JAPLACKE:IO/AGR:JLMILLS:ML
APPROVED BY IO - RDMOREY
EB/ORF - JLKATZ(IN DRAFT)
AF/AFN - MR. LANE (INFO)
---------- 021649
R 300105Z MAR 74
FM SECSTATE WASHDC
TO AMEMBASSY ROME
INFO AMEMBASSY TRIPOLI

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FODAG

E.O. 11652 N/A
TAGS: PFOR, FAO
SUBJ: STATEMENT OF FAO DIRECTOR GENERAL

REF: TRIPOLI 359

1. WITHOUT IDENTIFYING SOURCE, DEPARTMENT REPRESENTATIVE READ PRESS QUOTE REFTEL TO OFFICIAL OF FAO LIAISON OFFICE, WASHINGTON, AND REQUESTED FAO CLARIFICATION BOERMA STATEMENT. DEPARTMENT INFORMED THAT FOLLOWING MESSAGE RECEIVED MAR 27 FROM FAO HEADQUARTERS: QUOTE. IN INTERVIEW WITH LIBYAN OFFICIALS AT WHICH ONE OR MORE REPRESENTATIVES LOCAL PRESS PRESENT, DG EXPRESSED THE VIEW THAT IT WAS LOGICAL TO EXPECT THAT OIL PRICES SHOULD HAVE INCREASED IN THE NORMAL INTERPLAY OF SUPPLY AND DEMAND FOR A COMMODITY IN SCARCE SUPPLY. HE ADDED THAT HE BELIEVED OIL PRICES HAD IN THE PAST BEEN LOWER THAN WAS JUSTIFIED.
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CONSEQUENTLY, THE RECENT INCREASES NEED NOT BE REGARDED AS

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INEQUITABLE. REGARDING GRAINS, DG POINTED OUT THAT GRAIN PRICES HAD GONE UP PRIOR TO INCREASE IN PRICE OF OIL. AT NO TIME DID DG SAY OR SUGGEST THAT US HAD CONTRIBUTED TO WORLD FOOD CRISIS BY FIRST RAISING GRAIN PRICES. DG INFORMALLY GAVE SIMILAR CLARIFICATION TO US CHARGE D' AFFAIRS LIBYA. END QUOTE.

2. BOERMA REMARKS COMMENTING ON EQUITY OF OIL PRICES ARE CLEARLY OUTSIDE HIS OFFICIAL COMPETENCE. HIS STATEMENTS ARE ESPECIALLY UNHELPFUL IN THAT THEY LEND CREDIBILITY TO OIL EXPORTER EFFORTS TO JUSTIFY OIL PRICE INCREASES AS, IN PART, A RESULT OF HIGHER GRAIN PRICES. EFFORTS OF GRAIN EXPORTERS TO INCREASE PRODUCTION IN RESPONSE TO PRICE INCREASES IS FUNDAMENTALLY DIFFERENT FROM ACTIONS OF OIL EXPORTERS. BOERMA'S TIMING COULD NOT HAVE BEEN WORSE, COMING ONLY TWO WEEKS BEFORE UNGA SPECIAL SESSION WHERE OIL EXPORTERS ARE EXPECTED TO ATTEMPT TO SHIFT ATTENTION TO COST OF OTHER COMMODITIES--ESPECIALLY GRAIN.

3. ACCORDINGLY, FODAG IS INSTRUCTED TO CALL ON BOERMA SOONEST TO EXPRESS USG'S STRONG OBJECTION TO COMMENTS MADE IN TRIPOLI. DRAWING ON ABOVE, FODAG SHOULD MAKE POINT THAT: A) USG SEES NO CAUSAL CONNECTION BETWEEN HIGHER GRAIN PRICES AND INCREASE IN PRICE OF OIL, B) THERE HAS BEEN OPPOSITE PRODUCTION RESPONSES BY GRAIN AND BY OIL EXPORTERS TO RISING DEMAND AND HIGHER PRICES FOR THEIR PRODUCTS, C) REGARDLESS OF EQUITY OF PAST OIL PRICE LEVEL, PRESENT PRICES ARE SO HIGH AS TO RETARD WORLD ECONOMIC GROWTH, ESPECIALLY AMONG POORER LDCS. FODAG SHOULD NOTE THAT US AND OTHERS ARE STRIVING TO CONVINCE OIL EXPORTERS TO REDUCE PRICES. COMMENTS BY NON-OIL EXPERTS, OF INTERNATIONAL STATURE TENDING TO LEND JUSTIFICATION TO PRESENT OIL PRICE LEVELS ARE, THEREFORE, PARTICULARLY UNHELPFUL AT THIS TIME.

4. REQUEST THAT FODAG REPORT BOERMA'S REACTION. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
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Concepts: PETROLEUM, FOOD SHORTAGE, EXPORTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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Disposition Remarks:
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Film Number: D740070-0656
From: STATE
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1974/newtext/t1974031/aaaaaalb.tel
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Previous Handling Restrictions: n/a
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Review Authority: morefirh
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Review Event:
Review Exemptions: n/a
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Status: NATIVE
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